

OTHER BILATERAL ECONOMIC ASSISTANCE

Economic Support Fund
Assistance for Eastern Europe and the Baltic States
Assistance for the Independent States of the Former Soviet Union

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Economic Support Fund

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	2,163,162	2,480,992	3,036,375
ESF-ERF	153,000	-	-
ESF-SUP	972,000	-	-

The Economic Support Fund (ESF) promotes the economic and political foreign policy interests of the United States by providing assistance to allies and countries in transition to democracy, supporting the Middle East peace negotiations, and financing economic stabilization programs, frequently in a multi-donor context. The U.S. Agency for International Development (USAID), with overall foreign policy guidance from the Department of State, implements most ESF-funded programs. ESF advances U.S. foreign policy interests by:

- Increasing the role of the private sector in the economy, reducing government controls over markets, enhancing job creation, and improving economic growth.
- Assisting in the development of effective, accessible, independent legal systems operating under the rule of law, as measured by an increase in the use of the courts to decide allegations of human rights abuses or abuses of government authority.
- Developing and strengthening institutions necessary for sustainable democracy through support for the transformation of the public sector, including assistance and training to improve public administration, promote decentralization, and strengthen local governments, parliaments, independent media, and non-governmental organizations.
- Assisting in the transition to transparent and accountable governance and the empowerment of citizens, working through civic and economic organizations and democratic political processes that ensure broad-based participation in political and economic life, as well as respect for human rights and fundamental freedoms.
- Strengthening capacity to manage the human dimension of the transition to democracy and a market economy and to help sustain the neediest sectors of the population during the transition period.

ESF addresses a full range of problems through an integrated strategy, including balance of payments and other economic support measures designed to create employment and conditions conducive to international investment and trade, and through support for programs that nurture democratic institutions and a vibrant civil society. In other parts of the world, economic dislocation and political strife continue to place great strains on many countries. Depending on the recipient country's economic situation, balance of payments or budgetary support may create leverage to bring about the adoption of more rational economic and fiscal policies required to sustain economic growth. However, in the short term, measures to create more rational and efficient economic structures and practices often exacerbate social and political tensions unless buffered by external assistance. In these circumstances, ESF can help to prevent or diminish economic and political dislocation that may threaten the security of key friends and allies. By promoting economic growth, good governance, and strong democratic institutions, ESF aims to eradicate the economic and political disparity that often underlies social tension and can lead to radical, violent reactions against government institutions. To this end, economic assistance programs assist in mitigating the root causes of terrorism.

For FY 2006, a total of \$3.036 billion is requested to support the economic and foreign policy interests of the United States as follows:

- Africa -- \$151.9 million is requested for programs in sub-Saharan Africa. These funds will assist countries to recover from conflict and bring about enduring peace; support the development of democracies, including support for human rights and rule of law; promote economic stability, sustainable development, and U.S. investment opportunities in Africa; and combat terrorism and other forces that undermine prosperity and stability in the region.
- East Asia and the Pacific -- \$155.4 million is requested to continue key programs supporting democracy and good governance, support education initiatives where the system is in crisis, stimulate economic growth and development; fund significant civil society and women's empowerment programs, and strengthen local security and counter-terrorism initiatives. Funds also will support several important EAP regional accounts that foster regional solutions to transnational problems, enhance U.S. influence in regional institutions, and underscore broad U.S. engagement in the region.
- Europe and Eurasia -- \$42 million is requested for programs that promote peace and reconciliation, and contribute to the stability of the region.
- Near East -- \$1.722 billion is requested to support regional stability in the Middle East, encourage development, and encourage a comprehensive peace between Israel and its neighbors; to promote political, economic, and educational reform throughout the region; and to combat the roots of terrorism by targeting the economic despair and lack of opportunity that are exploited by extremists.
- South Asia -- \$765.5 million is requested to help stabilize this critical region by funding economic reconstruction and development, demobilization, democracy building, education, training, and public diplomacy programs.
- Western Hemisphere -- \$143.7 million is requested to help bolster our collective security, strengthen democratic institutions and practices, and ensure economic opportunity for all. The programmatic focus will continue to be on democracy and anti-corruption, trade-led economic growth, and the fight against organized crime and terrorism.
- Global -- A total of \$56 million is requested to promote democracy and universal human rights; to promote environmental stewardship and advance U.S. interests in this area; to bring together individuals of different ethnic, religious, and political backgrounds from areas of civil conflict and war; and to prevent trafficking in persons and protect the victims of trafficking.

Further detailed justification for the proposed programs can be found in the respective regional program sections.

Program Assessment Rating Tool (PART)/Performance Evaluation

For preparation of the FY 2006 budget, the Administration evaluated the Department's Economic Support Funds in the Western Hemisphere using the Program Assessment Rating Tool (PART). The program was assessed as being moderately effective. These funds are primarily used to promote democracy and encourage economic growth, but are flexible enough to be used to respond to emergent crises and shifting priorities in the region.

The PART has been of assistance in developing program budgets by helping WHA focus on ways to measure success and establish targets that help WHA achieve that success. WHA now uses performance-based program management in coordination meetings with implementers, and is now taking a more active role in overseeing programs funded with WHA's ESF funds.

Key Indicators: (1) Transparency International's Corruption Perceptions Index. Tracks perceptions of corruption in the region, which can be affected by increasing awareness of the problem vs. an actual increase or decrease in the incidence of corruption; (2) Freedom House "Freedom in the World" country ratings, an annual assessment that rates countries on freedom as related to political rights (PR) and civil liberties (CL). Uses a scale of 1 to 7 on both measures, with 1 representing the highest level of freedom and 7 the lowest. And (3) World Economic Forum Growth Competitiveness Index (GCI). Uses World Bank information to determine median hemispheric score. Measures changes in the capacity of national economies to achieve sustained economic growth over the medium term, controlling for current levels of development.

Economic Support Fund
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Africa			
Angola	3,479	2,976	3,000
Burundi	3,479	3,224	3,850
Democratic Republic of Congo	4,971	4,960	5,000
Djibouti	-	1,984	5,000
Ethiopia	3,971	4,960	5,000
Kenya	7,953	8,928	8,000
Liberia	-	24,800	75,000
Nigeria	4,971	4,960	5,000
Sierra Leone	4,971	5,952	5,000
South Africa	1,988	992	1,300
Sudan	10,941	19,840	20,000
Zimbabwe	2,982	1,984	2,000
Africa Regional Fund	11,929	8,928	9,700
Kimberley Process	1,491	1,736	-
NED Democracy Programs	2,982	3,472	-
Regional Organizations	2,982	992	1,000
Safe Skies	4,971	3,472	3,000
Subtotal - Africa	74,061	104,160	151,850
East Asia and the Pacific			
Burma	12,923	7,936	7,000
Cambodia	16,900	16,864	15,000
East Timor	22,367	21,824	13,500
Indonesia	49,705	64,480	70,000
Mongolia	9,941	9,920	7,500
Philippines	17,645	34,720	20,000
Thailand	-	992	-
ASEAN	994	744	2,500
Developing Asian Institutions Fund	-	-	250
Environmental Programs	1,740	1,736	500
NED Democracy Programs	2,982	3,968	-
Pacific Islands	-	-	100
Regional Security Fund	-	248	-
Regional Women's Issues	1,988	992	1,000
South Pacific Fisheries	17,894	17,856	18,000
Tibet	3,976	4,216	-
Subtotal - East Asia and the Pacific	159,055	186,496	155,350

Economic Support Fund
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Europe and Eurasia			
Cyprus	38,420	13,392	20,000
Turkey	10,000	-	10,000
International Fund for Ireland	18,391	18,352	8,500
Irish Visa Program	3,479	3,472	3,500
Subtotal - Europe and Eurasia	70,290	35,216	42,000
Near East			
Egypt	571,608	530,720	495,000
Iraq	-	-	360,000
Israel	477,168	357,120	240,000
Jordan	248,525	248,000	250,000
Jordan SUP	100,000	-	-
Lebanon	34,794	34,720	35,000
Morocco	-	19,840	35,000
Yemen	11,432	14,880	30,000
Middle East Multilaterals	-	1,984	2,000
Middle East Partnership Initiative	89,469	74,400	120,000
Middle East Regional Cooperation	5,467	4,960	5,000
NED Muslim Democracy Programs	3,479	3,968	-
West Bank/Gaza	74,558	74,400	150,000
Subtotal - Near East	1,616,500	1,364,992	1,722,000
South Asia			
Afghanistan	74,558	223,200	430,000
Afghanistan ERF	153,000	-	-
Afghanistan SUP	672,000	-	-
Bangladesh	4,971	4,960	5,000
India	14,912	14,880	14,000
Nepal	4,971	4,960	5,000
Pakistan	-	297,600	300,000
Pakistan SUP	200,000	-	-
Sri Lanka	11,929	9,920	9,000
South Asia Regional Fund	1,988	992	2,500
Subtotal - South Asia	1,138,329	556,512	765,500
Western Hemisphere			
Bolivia	8,000	7,936	8,000
Brazil	750	-	750
Cuba	21,369	8,928	15,000
Dominican Republic	3,682	2,976	3,000

Economic Support Fund
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Ecuador	10,473	12,896	7,000
Guatemala	4,971	5,952	4,000
Haiti	54,982	39,680	50,000
Mexico	11,432	13,392	11,500
Nicaragua	-	3,472	1,875
Panama	1,000	2,976	2,000
Paraguay	2,982	2,976	2,550
Peru	7,453	7,936	8,000
Venezuela	1,497	496	500
Administration of Justice	4,424	-	-
Hemispheric Cooperation Program	6,941	-	12,000
Peru-Ecuador Peace	3,976	2,976	4,000
Regional Anticorruption Initiatives	-	2,976	3,000
Regional Security Fund	-	-	1,500
Summit of the Americas Support	-	1,488	3,000
Third Border Initiative	4,976	8,928	6,000
Trade Capacity Building	-	19,840	-
Subtotal - Western Hemisphere	148,908	145,824	143,675
Global			
Disability Programs	-	2,480	-
Human Rights and Democracy Fund	34,296	36,704	27,000
Oceans, Environmental and Science Initiative	3,976	2,480	9,000
Other Programs	12,426	-	-
Partnership to Eliminate Sweatshops	1,988	1,984	-
Reconciliation Programs	7,953	11,904	8,000
Security and Sustainability Programs	2,982	2,976	-
Trafficking in Persons	12,427	24,304	12,000
Wheelchairs	4,971	4,960	-
Subtotal - Global	81,019	87,792	56,000
Total	3,288,162	2,480,992	3,036,375

Human Rights and Democracy Fund

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	34,296	36,704	27,000

The promotion of democracy and universal human rights continues to be at the center of our National Security Strategy and at the top of our foreign policy agenda. The Human Rights and Democracy Fund (HRDF) is set up to strengthen democracy, advance human rights, and build civil society in countries and regions of strategic importance to the United States. Support for such projects underscores the USG's continued commitment to human rights and democracy in its fight against terrorism.

In FY 2006, HRDF will support innovative, cutting-edge projects that provide assistance to struggling or nascent democracies or that help improve the human rights situation in key countries. HRDF programs will not duplicate other efforts. The Department of State will identify and act upon political openings where we believe progress can be made, even if only incrementally and over time. Funds will also support regional initiatives that have transnational implications. Those HRDF projects that prove viable will be considered for ongoing funding by traditional assistance agencies.

As efforts to spread freedom and fight the war on terrorism continue, the Department of State will maintain pressure for universal human rights, democratic processes, and civil liberties in all countries. These challenges will be addressed by funding programs that promote democratic reform and result in greater political pluralism and respect for fundamental freedoms in countries with significant Muslim populations; and that promote the protection and enforcement of legal rights and an independent judiciary, increase popular participation in government, and develop civil society in China. These funds will also be used throughout the world to support programs that may include: political party building, development of independent media, increasing labor and worker rights, and strengthening civil society and democratic institutions.

Program Assessment Rating Tool (PART) / Performance Evaluation

For the FY 2006 budget, the Administration assessed the Department's Human Rights and Democracy Fund program using the PART. In its first PART review, the program was rated Adequate. According to the review, HRDF succeeds in targeting grants for projects that support the Department's regional and country strategies, and coordinates effectively with USAID to avoid duplication of other human rights and democracy activities. HRDF has also greatly improved efficiencies in processing grants. The assessment found that performance evaluation was effective at the level of individual HRDF grants; however, the assessment recommended that the Department implement performance targets and evaluation at program and regional levels. The Department is currently in the process of conducting such a program-wide independent evaluation and implementing the other PART recommendations.

Key indicators include: (1) Percentage of HRDF-funded countries which show a positive change (decrease on the scale) on their annual Freedom House Freedom in the World score or a positive change (increase on the scale) on their Freedom House Countries at the Crossroads score and (2) Percentage of HRDF-funded countries that demonstrate a decrease in human rights abuses such as extrajudicial killings, disappearances, torture, or detention without trial, as evidenced by Amnesty International, Human Rights Watch, State Department Human Rights Reports data, and other indicators.

Oceans, Environmental and Science Initiative

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	3,976	2,480	9,000

Oceans, environment, science, technology and health issues directly affect U.S. economic prosperity and national security. American leadership and engagement best serve U.S. national interests with the international community in these areas.

The Economic Support Funds (ESF) for Oceans, Environment and Science Initiatives (OESI) advance U.S. negotiating positions, promote regional cooperation and stability, and demonstrate U.S. leadership in responding to emerging issues in international oceans, environment, science, and health. These funds also promote U.S. economic, diplomatic, investment and commercial interests and enable host governments to develop their own policies with the full appreciation of U.S. perspectives on these issues.

ESF funds support priority programs, such as the methane-to-markets initiative, and other emerging issues as part of broader U.S. responses. In particular, as part of the tsunami response, the OESI program will continue to promote integrated watershed management and clean water initiatives as the region is rebuilt. In addition, the OESI program is continuing its outreach to countries with the large Muslim populations through support for science and technology activities in these areas.

The Department of State is currently negotiating and implementing agreements and promoting voluntary initiatives that directly affect U.S. interests such as biotechnology, forests, hazardous chemicals, sustainable fisheries, health, water, and sustainable development. ESF funds will be used to further these goals by:

- Promoting the sustainable management of the world's natural resources. OESI projects will include: strengthening sustainable forestry management, promoting collective action to combat wildlife trafficking, reducing land based and vessel source pollution, promoting regional partnerships that address marine pollution issues (e.g., White Water to Blue Water Partnership) and deterring illegal fishing that threatens U.S. commercial fisheries' interests and the sustainable management of fisheries through enforcement capacity building.
- Advancing the Administration's vision for a sustainable future through partnerships on water, energy/climate change, health and forests. OESI efforts will include: contributing to the methane-to-markets initiative; supporting household and community-level pilot programs for access to clean water and sanitation services aimed at reducing the incidence of water-borne diseases; promoting clean energy technologies in large developing countries such as India; and implementing the Global Earth Observation System (GEOS).
- Ensuring that free trade neither increases environmental degradation nor creates trade barriers. OESI projects will include: strengthening other countries' environmental standards, thereby leveling the playing field for U.S. exports; implementing environmental work plans with FTA partners; and increasing the capacity for domestic good governance and transparent and accountable environmental law enforcement and compliance in Africa, Latin America and Asia.
- Seeking scientific collaboration that advances U.S. foreign policy objectives. OESI activities will include fostering capacity building and science-based decision making in Central America, Central Asia and North Africa on coastal, marine and terrestrial habitat conservation, health, and biotechnology, and advancing space applications and technology, and earth observation data.

Reconciliation Programs

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	7,953	11,904	8,000

The FY 2006 request of \$8 million will continue to support reconciliation programs and activities that bring together individuals of different ethnic, religious, and political backgrounds from areas of civil conflict and war. These funds will support cutting-edge programs that uphold democratic principles, support and strengthen democratic institutions, promote human rights, and build civil society in countries and regions of the world that are geo-strategically important to the United States. More specifically, they will be used to support:

- conflict response and mitigation through programs that seek to reduce the threat of violence through the peaceful resolution of differences, mitigate violence when it has broken out, or establish a framework for peace and reconciliation; and
- conflict management through programs that address the causes, and consequences of existing or likely conflict, but are implemented within a more traditional development sector such as democracy and governance or economic growth.

Funded programs in FY 2006 will address mediation of specific disputes, peace advocacy media, negotiation and implementation of peace agreements, community-based reconciliation, and conflict management. Related activities may include support for conflict research/early warning networks, capacity building of local governments to identify and address causes of conflict, strengthening the capacity of the private sector to contribute to peace-building, and building opportunities for young people to engage in constructive political and economic participation.

Trafficking in Persons

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ESF	12,427	24,304	12,000
INCLE	12,000	4,960	5,000

Trafficking in persons may be among the fastest growing human rights violations and transnational crimes internationally. This modern-day form of slavery involves sexual and/or labor exploitation, adopting such forms as indentured servitude, debt bondage, chattel slavery and peonage. Estimates vary, but 600,000 to 800,000, persons, primarily women and children, are annually trafficked across borders worldwide, including 14,500-17,500 victims brought into the United States each year. The number of victims is estimated to rise into the millions when intra-country trafficking is taken into account.

The Trafficking Victims Protection Act of 2000 (TVPA) and its subsequent 2003 (TVPRA) reauthorization, provide the U.S. Government with the necessary tools to aggressively combat this heinous crime at the international and national level. The State Department, through the Office to Monitor and Combat Trafficking in Persons, is charged with coordinating the U.S. Government's implementation of the TVPA and TVPRA, compiling the largest government-produced annual *Trafficking in Persons Report* (the TIP Report); and advancing public awareness and advocacy involving practical solutions to combat human trafficking worldwide. The Department works with other governments, other USG agencies, non-governmental organizations (NGOs), international organizations, Congress, and the media, toward the goal of eradicating modern-day slavery.

Economic Support Funds (ESF) for anti-trafficking activities totaling \$12 million will be targeted primarily to countries which have a growing trafficking-in-persons problem and a demonstrable need for resources to combat trafficking. These funds will focus on prevention and on the protection and reintegration of victims within countries and regions. ESF-funded programs will complement other anti-trafficking activities funded through the International Narcotics Control and Law Enforcement account and the Migration and Refugee Assistance account, discussed separately. Proposed activities will be closely coordinated with other on-going USG programs to ensure maximum outreach.

Africa (\$3 million) – Thirty-two (80 percent) of sub-Saharan African countries were included in the 2004 TIP Report. Most trafficking in Africa occurs within the continent for agricultural work, domestic servitude, begging, prostitution, and child soldiering. Some flows of Africans to Europe and the Middle East are for the commercial sex trade. Human trafficking in Africa is driven by on-going adverse social and economic conditions in the region. Some trafficking, particularly of children for labor, stems from traditional and cultural practices that have been occurring for generations. Due to the enormity of the complex and interwoven problems many African countries face and their lack of resources and capacity, combating this problem is extremely difficult. Countries emerging from years of conflict have a number of urgent priorities, of which combating TIP is one.

Funds will be used to support the following programs:

- Prevention and public awareness campaigns, in local/tribal languages, which may include supporting radio programs, school/village programs, and outreach to religious and traditional leaders. Priority countries include: Benin, Togo, Nigeria, Niger, Ghana, Burkina Faso, Mali, Cameroon, Chad, Mauritania, Zambia, Mozambique, Malawi, South Africa, Lesotho, and Swaziland. Priority countries were selected because they either have growing trafficking problems coming from rural or village areas, the religious and traditional leaders have influence that could prevent trafficking situations, and

where the trafficking victims are predominantly children. These countries also are targeted for prevention and public awareness campaigns because they are either source countries for child trafficking or have internal trafficking. By utilizing local/tribal languages and targeting religious/traditional leaders and schools, those at-risk for trafficking as well as those who are typically asked for advice understand the dangers of trafficking.

- Rehabilitation and reintegration programs for former child soldiers (including girls) in Rwanda, Burundi, Democratic Republic of Congo, Liberia, Sierra Leone, and Guinea, countries that have experienced civil wars in recent years. Many former combatants and forced combat wives have spread out into villages in these countries. To determine the best use of resources in some countries where there is little concrete information or widespread destruction, baseline studies of current internal trafficking trends in these countries may be necessary to understand the rehabilitation and reintegration needs and capacity of potential partners.
- Shelter and rehabilitation programs for victims of trafficking in such countries as Kenya, Mozambique, Tanzania, South Africa, Chad, Niger, Mali, Madagascar, and Burkina Faso. The governments and civil society organizations in these countries are either unable to support shelter and rehabilitation programs due to lack of resources and expertise or the existing facilities are inadequate for the number of victims. These countries are either facing an increase in trafficking victims requiring shelter and rehabilitation assistance, or former trafficking victims are being returned to these countries in need of assistance.
- Programs that promote regional cooperation in the Economic Community of West African States (ECOWAS), the East African Community (EAC), and/or the Southern African Development Community (SADC) regions. In the ECOWAS and SADC regions, there is a need for increased law enforcement collaboration on cross-border trafficking. ECOWAS and SADC recently began working on trafficking-in-persons as a regional problem; these programs should include concrete activities to encourage police collaboration on cases. The EAC region has never addressed this problem as a region. Programs in the EAC region should begin a regional dialogue and encourage a regional action plan to combat trafficking.

East Asia (\$2.2 million) – All forms of trafficking are found in this region. Weak law enforcement structures, corruption, and the conflation of trafficking with illegal immigration and prostitution are major obstacles to effective anti-trafficking strategies in the region. Sixteen (80 percent) of East Asian countries were included in the 2004 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. The trafficking profile of the region is roughly divided between less developed source countries (e.g. Indonesia, Laos, Burma and the Philippines) and more developed destination countries and territories (e.g. Thailand, Malaysia, and Japan). Thailand stands out as a trafficking center that is destination, source and transit area for a large number of trafficking victims. According to U.S. intelligence community estimates, this region is also the primary source for trafficked victims coming into the United States.

Funds will be used to support the following programs:

- Public awareness and information campaigns targeting at-risk populations and demand in Thailand, Vietnam, Laos, Philippines, Cambodia, and Burma. Selected countries have a continuous flow of trafficking victims from rural or tribal areas that are lured with the promise of a better future. Public awareness campaigns targeting these populations may prevent them from being trafficked and assist them in making more informed choices about job opportunities. Programs addressing demand also are necessary as demand continues to fuel trafficking in this region. To effectively prevent trafficking, the potential victim as well as the demand must be addressed.

- Expansion of shelters, victim assistance (including medical, psychological, and legal), and reintegration programs in Thailand, Cambodia, Indonesia, Laos, Mongolia, Vietnam and the Philippines. The governments and civil society organizations in these countries are either unable to support shelter and rehabilitation programs due to lack of resources or expertise or existing facilities are inadequate for the number of victims. These countries are either facing an increase in trafficking victims requiring shelter and rehabilitation assistance, or former trafficking victims are being returned to these countries in need of assistance.

Near East (\$850,000) – Nine or (approximately 75 percent) of all the Near East countries were included in the 2004 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. Given the conservative Muslim societies in most of the countries, sex trafficking is not a major problem in the region. A deficit of low-skilled domestic laborers in Saudi Arabia, Israel and Gulf States requires these countries to rely on migrant laborers from South or Southeast Asia. As a result, cases of involuntary servitude involving some of these migrant laborers represent a key TIP concern in the region. South Asian and African boys are also trafficked to Gulf states as camel jockeys.

Funds will be used to support the following programs:

- Public awareness (including joint campaigns in source countries) for at-risk populations, society in the destination countries, outreach to religious leaders, and demand in the Persian Gulf, Northern Africa, and Lebanon/Jordan. The Persian Gulf and Lebanon/Jordan are destinations for workers from South Asia, Southeast Asia, and Africa who are at risk for trafficking into domestic servitude and forced labor. Many victims are recruited in their home countries and deceived about employment regulations or what to do if they end up in an exploitative situation. Joint public awareness campaigns will target people at risk for trafficking in the source countries and workers already in the destination countries. Improving awareness about trafficking to religious leaders will lead to increased messages about demand and treatment of foreign workers. Northern Africa is a large transit point for trafficked Sub-Saharan Africans on their way to Europe. There is some confusion about the difference between trafficking and illegal migration.
- Victim assistance including shelters, legal assistance, and reintegration to home countries is not generally available in some North African and Persian Gulf countries as is unfortunately the case in Egypt, Jordan Morocco, and the Gulf states. Trafficking victims in these countries typically are locked in detention facilities, as there are no shelters. The governments in these countries do not have the expertise to provide legal assistance or counseling to trafficking victims and the few civil society organizations that are present do not have the necessary resources to help trafficking victims. Expanding victim assistance may lead to an increase in victims willing to testify against their traffickers.
- Inter-regional cooperation between source countries in Asia and destination countries in the Persian Gulf. Trafficking in persons predominantly flows from source countries in Asia (India, Pakistan, Nepal, Bangladesh, Indonesia, Philippines) to the Persian Gulf countries. Lack of understanding or contact between government, intergovernmental and non-governmental organizations in the source and destination countries hinders any collaboration. Traffickers and fraudulent employment companies continue to exploit this gap between the source and destination countries. Programs could include support to a first effort mini-summit between key source and destination countries on trafficking or supporting the development of a regional or a series of bilateral action plans on combating labor and sex trafficking.

South Asia (\$3.35 million) – Six or (75 percent) of South Asian countries were included in the 2004 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. The region is characterized by massive numbers of TIP victims -- with India tipping the scale -- predominantly in forms of labor trafficking, such as bonded labor in low-skilled industries. Corruption and a lack of political will are key impediments to tackling the trafficking problem. In addition to internal trafficking, there is trafficking within the region (e.g. from Bangladesh to Pakistan and from Nepal to India) and to destinations outside the region (e.g. sex, labor and camel jockey trafficking to the Gulf states).

Funds will be used to support the following programs:

- Improve protection by increasing shelter capacity, expanding services to victims (including medical, psychological, legal, vocational), reintegration, and following up with victims in Afghanistan, India, Nepal, Pakistan, and Sri Lanka. The countries in this region have the largest number of trafficking victims. As government and law enforcement efforts expand in these countries, the need for quality shelter facilities is increasing. Civil society groups in these countries have the expertise to rehabilitate victims and encourage their participation in prosecutions, but lack the resources to care for an increasing number of victims. In Afghanistan, the government is just beginning to combat trafficking and victims facing terrible stigmas do not have a safe place to go.
- Basic anti-trafficking capacity building activities in Afghanistan. Afghanistan is a growing source country for trafficking victims for sexual and labor exploitation as well as a country with a significant internal trafficking problem. The government has outlawed child trafficking, but the new government agencies, law enforcement officials, judges, social workers and border officials have very limited understanding of trafficking. Programs could include training for law enforcement officials including border officials, the introduction of an anti-trafficking curriculum into police and legal institutions, development of shelters, or support to public awareness campaigns.
- Public awareness campaigns targeting at-risk populations, outreach to religious leaders, high-risk areas, and demand in Afghanistan, India, Pakistan, and Sri Lanka. The trafficking situation in the selected countries continues unabated with victims from rural or impoverished areas falling prey to job or marriage offers or the chance for educational opportunities. Utilizing local languages and targeting religious leaders, particularly in Muslim areas, may contribute to a decrease in trafficking and demand as their advice is greatly respected.
- Advocacy efforts to improve anti-trafficking legislation and government response in India. Support to civil society to begin organized advocacy work in India can lead to the improvement of anti-trafficking legislation and a more organized government response to trafficking. So far, civil society actions to influence the government have been poorly organized. There have been occasional demonstrations, however, there hasn't been an organized effort to educate government officials. India was selected because of the gulf between civil society expertise and government response to the world's largest trafficking in persons problem.

Western Hemisphere (\$2.6 million) – This region is among the top three source regions for trafficked victims into the United States, according to U.S. intelligence community estimates. Twenty-two (approximately 80 percent) Western Hemisphere countries were included in the 2004 TIP Report as countries with a significant number of victims of severe forms of trafficking in persons. Compared to other regions, Latin America had a higher percentage of Tier 3 and Tier 2 Watch List countries in the 2004 TIP Report. The region is challenged by a general lack of awareness of trafficking and a concomitant deficit in political will to tackling the problem.

Funds will be used to support the following programs:

- Regional coordination activities through the Organization for American States' anti-trafficking coordinator, a position created as a U.S. initiative to follow up on the Summit of The Americas. These activities will continue to focus on spurring governments to take greater measures to combat trafficking and educating them and the general public about the distinction between trafficking in person and alien smuggling.
- Regional public awareness which may include information campaigns targeted at child sex tourists as well as pilot activities aimed at reducing local demand for victims of sex trafficking.
- Victim services, such as reintegration and protection assistance in border areas such as in the Mercosur region, Central America, and the Haiti-Dominican Republic border area.
- Expansion or establishment of shelters in countries where none or very few exist such as in Belize, Costa Rica, Ecuador, Guyana, Jamaica, and Suriname.
- Anti-trafficking related legal reform in countries where anti-trafficking legislation does not exist such as in Bolivia, Guatemala, and Honduras. This assistance may include training, (including train the trainers), for prosecutors, judges and NGOs, the combination of whom will produce laws that will holistically and comprehensively address all necessary elements of combating trafficking. Additionally, assistance may be targeted to training for non-governmental organizations to be court appointed victim/witness advocates and who will be better able to track cases going through the judicial process from investigation to prosecution to conviction.

Assistance for Eastern Europe and the Baltic States

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
SEED	442,375	393,427	382,000

Support for East European Democracy (SEED) Act funding has promoted important U.S. national interests and strategic goals in the former communist countries of North Central and South Central Europe since 1989. Programs in eight countries in the Northern Tier already achieved their goals of assisting the transition to free markets and robust democracy and have been phased out. In the remaining years of SEED funding, the focus will be on Southeast Europe, primarily the Western Balkans. This region retains the ability to destabilize Europe and to threaten the vital interests of the United States and our Allies, as the conflicts in both Bosnia and Herzegovina (Bosnia) and Kosovo and the more recent insurgencies in southern Serbia and Macedonia demonstrate. SEED assistance provides a proactive defense of our interests by funding important peace implementation programs that lay the foundation for longer-term development, by encouraging the rise of democratic institutions and market economies and by integrating these countries into Euro-Atlantic institutions. Beginning in FY 2005 and continuing in FY 2006, U.S. contributions to help cover the expenses of maintaining Organization for Security and Cooperation in Europe (OSCE) missions in the SEED region, as well as the Office of the High Representative in Bosnia, are being borne by the SEED budget instead of the Peacekeeping Operations (PKO) budget, as are U.S. extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development and environmental protection.

SEED programs support innovative models, technical assistance, and training to facilitate reform and transition. SEED funding promotes broad-based economic growth and increases adherence to democratic practices and respect for human rights. Many of the countries of Southeast Europe have made important progress toward achieving the goals of the SEED program: building a market economy with a strong private sector, consolidating democracy, and improving the quality of life for their citizens. All of the recipient countries are now democracies, and almost all experienced economic growth last year. Extensive SEED investments during recent years have succeeded in helping the region overcome crises; consequently, we are able to reduce the overall request while maintaining the momentum of the reforms currently under way.

SEED programs help to reduce local and regional instability that could threaten the security and well-being of the United States and its allies. A peaceful, democratic, and economically strong Southeast Europe gives the United States and the Euro-Atlantic community substantially greater assurance of security at lower cost. SEED programs also address the human costs of conflict, contribute to the protection of human health, help to achieve a sustainable global environment, and promote U.S. exports. Southeast Europe is a growing market for U.S. goods and services, as well as a gateway to the vast potential markets in Russia and Ukraine. SEED bilateral and regional programs also help to reduce the threat of transnational organized crime and HIV/AIDS and promote regional cooperation and integration into Euro-Atlantic institutions.

While the SEED program has built a solid record of accomplishment, much remains to be done. The countries in Southeast Europe continue to need substantial U.S. assistance to address different needs. The first group is comprised of countries and regions whose economic and political transition has been delayed by hostilities. This group includes Bosnia, Kosovo and, more recently, the Republic of Macedonia, and Serbia and Montenegro (SaM). The aftermath of the 1999 conflicts in Kosovo, southern Serbia, and northern Macedonia continues to demand intensive U.S. assistance and leadership to establish and maintain security, promote inter-ethnic dialogue, address humanitarian needs, and strengthen democratic forces. Further assistance in SaM will help develop civil society, strengthen political parties and promote economic

development, giving citizens a stake in a democratic, free-market system. Kosovo experienced setbacks due to inter-ethnic violence in March 2004 and non-participation of Serbs in the October 2004 parliamentary elections. Bosnia remains a difficult challenge, given the severe infrastructure and human damage caused by the war. Nevertheless, we have seen progress in strengthening central institutions, minority returns, the rise of moderate parties, and the arrival of foreign banks. The United States continues to exercise leadership through both its SEED-funded assistance and military presence to ensure that the Dayton Peace Accords are implemented.

Neighboring Albania also requires continued SEED assistance after suffering debilitating and political crises as a result of the 1999 Kosovo conflict, as well as an economic collapse, all of which challenged political, economic, and social stability. SEED is helping Albania deal with these crises and move forward in its transitions.

Romania and Bulgaria are on track to become members of the European Union (EU) in 2007, although the EU may delay Romania's membership if its progress toward fulfilling accession requirements does not keep pace. In March 2005, Croatia will begin talks on accession timetables, provided there is full cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). SEED assistance for these countries will focus on consolidating gains and preventing backsliding.

Objectives of the SEED program for FY 2006 include the following:

- To continue support to SaM as it overcomes a legacy of political oppression and economic mismanagement. Efforts in Serbia will focus on: economic and democratic reforms to solidify democratic gains; improvements in the effectiveness and accountability of local government; strengthening of rule of law and respect for minority rights; and helping the government to develop and implement a comprehensive program for economic, political, and administrative reform, including focusing assistance on pro-reform elements that help promote full cooperation with ICTY in the Hague. In Montenegro, continued assistance will advance the process of democratization through support for economic reform and development of the private sector.
- To support Macedonia's ongoing efforts to implement the Framework Agreement to restore political stability by bringing the benefits of economic and political reforms to all its citizens. Work will go on at the grassroots level of government for economic development and social cohesion, to support efforts at Framework-mandated decentralization and diffusion of ethnic tensions.
- To sustain efforts to stabilize and transform Kosovo, so that there can be a decision on initiating a process to determine Kosovo's final status; to devolve more responsibility to the legitimate institutions of local self-government; to train and equip of the Kosovo police; and to develop an effective justice system and respect for minority rights.
- To implement the Dayton Peace Agreement in Bosnia, support minority refugee returns, enhance the voices of the moderate political leaders, and support economic reform with greater privatization and legal and regulatory reform.
- To support robust programs working with reform-minded, democratic governments in Bulgaria and Croatia as they work to lock-in economic reforms and consolidate democracy in their efforts to join the EU quickly. FY 2006 will be the final year of SEED funding for Bulgaria and Croatia.

- To stabilize, transform, and integrate the countries of Southeast Europe into trans-Atlantic institutions through the development of greater intra-regional ties under the aegis of programs such as the Stability Pact for Southeast Europe.

SEED assistance also supports U.S. security, democracy, commercial, and human rights interests in Southeast Europe. FY 2006 SEED assistance will:

- Enhance security on the ground for U.S. troops in Kosovo and Bosnia.
- Speed up the stabilization process in the countries of the former Yugoslavia, allowing continued reduction of U.S. forces.
- Help prevent further outbreaks of armed conflict.
- Help establish domestic courts in Bosnia, SaM and Croatia to try war crimes cases, both in the interest of justice and public accountability, as well as to permit the ICTY to finish its work more expeditiously.
- Improve internal security and rule of law, reducing the influence of organized crime and corruption.
- Improve the investment climate and help open new markets for American business.
- Improve the lives of citizens in the region through more effective government, improved social services, and a cleaner environment.

Please see the individual country and regional program papers in the Europe and Eurasia section for detailed program justifications.

Program Assessment Rating Tool (PART)/Performance Evaluation

For preparation of the FY 2006 budget, the Administration reevaluated the Department's Coordination of Support for East European Democracy (SEED) and Freedom for Russia and Emerging Asian Democracies and Open Markets Support Act (FSA) programs using the Program Assessment Rating Tool (PART). The programs were rated as effective, representing a significant improvement over the programs' FY 2005 assessment as Results Not Demonstrated. Bilateral assistance programs under SEED Act (1989) and the FSA (1992) play an important role in advancing democratic and economic reforms in the countries of Eastern Europe and Eurasia. The office of the Assistance Coordinator oversees program and policy coordination among United States Government agencies and pursues coordination with other countries and international organizations to maximize the effectiveness of U.S. assistance in order to promote the irreversible transition to democracy and market economies. The PART evaluation process and dialogue with OMB helped strengthen our use of performance in the overall decision-making process for resources allocations.

In response to OMB recommendations following the FY 2005 assessment of the program, a performance measurement plan was developed to make informed policy and resource allocation decisions, including when to consider phase out of sectors, programs, or countries. This plan, which was incorporated in the FY 2006 PART, involves on-going evaluation of effectiveness of individual programs using measures that link to the Mission Performance Plans.

Key Indicators: (1) Administrative costs as a percent of all assistance coordinated by ACE; (2) Monitoring Country Progress Index for Economic Reform; (3) Monitoring Country Progress Index for Democratic Reform; (4) Number of countries that phase out of democracy assistance in established timeframes; (5) Number countries that phase out of economic assistance in established timeframes; (6) 100% review of target phase out timeframes; (7) 100% Annual Reports and MPPs reviewed by ACE for performance and consistency with policies and priorities; (8) percent of annual reports and MPPs using performance data consistent with FSA and SEED goals and standards (fully consistent, mostly consistent, consistent and needs work); and (9) percent of country programs with expanded pipeline greater than 24 months as of September 30 (and 30 months as of March 31) not justified by events or implementation requirements.

Assistance for Eastern Europe and the Baltic States
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Europe and Eurasia			
Albania	28,235	28,000	28,000
Bosnia and Herzegovina	44,735	41,000	40,000
Bulgaria	27,835	27,000	28,000
Croatia	24,853	20,000	15,000
Kosovo	78,534	75,000	72,000
Macedonia	38,770	34,000	39,000
Romania	27,835	27,000	20,000
Serbia and Montenegro	133,803	93,600	75,000
Regional SEED	37,775	47,827	65,000
Subtotal - Europe and Eurasia	442,375	393,427	382,000
Total	442,375	393,427	382,000

Assistance for the Independent States of the Former Soviet Union

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
FSA	584,537	555,520	482,000

The United States continues to have a vital national interest in helping the Eurasian countries advance along the path toward becoming stable, pluralistic and prosperous countries. The substantial role played by FREEDOM Support Act (FSA) assistance was dramatically illustrated by the recent triumph of civil society and democracy in Ukraine and by continued progress in Georgia following the Rose Revolution. Due to the region's natural energy resources, nuclear and biological threats left over from the Soviet Union, and borders with Europe, South Asia, and China, the United States also has strong national security interests in helping the Eurasian states combat transnational threats, including terrorism, the proliferation of weapons of mass destruction (WMD) and the expertise to produce or deliver them; trafficking in persons and narcotics; and the spread of HIV/AIDS. Most of the Eurasian states have provided critical assistance in the Global War on Terrorism, including basing and overflight rights that have been key to our ability to carry out military action in Afghanistan. Several are also providing troops or other assistance in Iraq and Afghanistan.

The most effective protection of U.S. interests in the region will be the accomplishment of the transition the Eurasian states began in 1991 toward democratic governance and market-based economies. Progress along that path has been uneven, but U.S. assistance remains an invaluable means of achieving U.S. foreign policy goals. FSA-funded programs support emerging democratic organizations and market-based reforms creating broad economic opportunities. FSA funding has helped develop civil society in Eurasia through support for non-governmental organizations, political parties, and the independent media. FSA-funded economic reform and business development programs have supported the growth of micro, small and medium private enterprises throughout the region. FSA funds have also been used to capitalize enterprise funds, innovative assistance mechanisms that operate much like venture capital funds. FSA programs increase the scope of economic opportunity and promote social stability through support for basic and higher education, improved health care, narcotics demand reduction programs, and exchange programs that enable students and professionals to learn how a market-based democracy works in the United States. Together with assistance from other donors, FSA programs are helping countries and societies to build effective strategies to address the threat of HIV/AIDS and other infectious diseases.

FSA-funded assistance also helps prevent the proliferation of WMD and related technology and expertise, and combats transnational threats such as drug trafficking, organized crime, and trafficking in persons. FSA-funded border security programs have helped Georgia build an effective Border Guard presence on the Georgian-Russian border, have strengthened borders across Central Asia and the Caucasus, and will put a new emphasis on the Tajik-Afghan border, in recognition of the Russian Border Guard pull-out to be completed by the end of 2005. FSA-funded assistance programs have also facilitated the destruction and removal of Russian weapons and ammunition from Georgia and the Transnistria region of Moldova. In addition, FSA-funded joint research collaborations have achieved promising results in the areas of public health and agricultural research, while successfully redirecting the biological weapons expertise of former Soviet weapons scientists to peaceful, productive pursuits. FSA-funded efforts complement the WMD scientist redirection programs funded through the Nonproliferation of WMD Expertise line in the Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) account.

In FY 2004, the Office of the Coordinator of U.S. Assistance to Europe and Eurasia conducted an interagency process to define progress towards reaching reform benchmarks in democratic, economic, and social reform, with a view to providing an empirical underpinning for the phase-out of FSA assistance in

particular sectors by agreed-upon target dates. We continue to monitor a broad range of economic and democratic reform indicators collected by the European Bank for Reconstruction and Development (EBRD), Freedom House, the United Nations Development Program (UNDP), and Transparency International, among others. The objective of this performance-based process is to phase out assistance when progress toward economic and democratic goals can be considered to be irreversible. The goal lines were set to match the reform indicators of Bulgaria and Romania at the time of their admission to NATO.

FSA resources are allocated based on two principles: first, balance between programs that address immediate threats and programs that promote lasting, generational change; and second, selective engagement based on willingness to reform and on performance in actual implementation.

FY 2006 FREEDOM Support Act assistance has the following objectives:

- To strengthen democracy by supporting open and transparent political processes, rule of law, and checks on executive authority, including independent and capable legislative and judicial branches, robust and effective civil society organizations, and sustainable independent media.
- To make economies more competitive and open them up to trade and investment by supporting responsible macroeconomic policies, good financial sector regulation, and a consistent, non-politicized approach to commercial disputes, and broad distribution of economic growth.
- To broaden economic opportunity by bolstering private enterprise, especially small business, through training and increased availability of credit.
- To enhance capabilities to fight illicit trafficking in persons, narcotics and WMD.
- To improve the health of Eurasian populations, with a particular focus on primary care and infectious diseases, such as tuberculosis and HIV/AIDS.
- To promote stability by attacking the underlying economic and political causes of instability, and by supporting efforts to resolve regional conflicts.
- To provide former Soviet weapons scientists with alternative, peaceful civilian research opportunities.

In addition, beginning in FY 2005 and continuing in FY 2006, U.S. contributions to help cover the expenses of maintaining Organization for Security and Cooperation in Europe (OSCE) missions in the Eurasian countries are being borne by the FSA budget instead of the Peacekeeping Operations (PKO) budget, as are U.S. extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development and environmental protection.

Program Assessment Rating Tool (PART)/Performance Evaluation

For preparation of the FY 2006 budget, the Administration reevaluated the Department's Coordination of Support for East European Democracy (SEED) and Freedom for Russia and Emerging Asian Democracies and Open Markets Support Act (FSA) programs using the Program Assessment Rating Tool (PART). The programs were rated as effective, representing a significant improvement over the programs' FY 2005 assessment as Results Not Demonstrated. Bilateral assistance programs under SEED Act (1989) and the FSA (1992) play an important role in advancing democratic and economic reforms in the countries of Eastern Europe and Eurasia. The office of the Assistance Coordinator oversees program and policy coordination among United States Government agencies and pursues coordination with other countries and

international organizations to maximize the effectiveness of U.S. assistance in order to promote the irreversible transition to democracy and market economies. The PART evaluation process and dialogue with OMB helped strengthen our use of performance in the overall decision-making process for resources allocations.

In response to OMB recommendations following the FY 2005 assessment of the program, a performance measurement plan was developed to make informed policy and resource allocation decisions, including when to consider phase out of sectors, programs, or countries. This plan, which was incorporated in the FY 2006 PART, involves on-going evaluation of effectiveness of individual programs using measures that link to the Mission Performance Plans.

Key Indicators: (1) Administrative costs as a percent of all assistance coordinated by ACE; (2) Monitoring Country Progress Index for Economic Reform; (3) Monitoring Country Progress Index for Democratic Reform; (4) Number of countries that phase out of democracy assistance in established timeframes; (5) Number countries that phase out of economic assistance in established timeframes; (6) 100% review of target phase out timeframes; (7) 100% Annual Reports and MPPs reviewed by ACE for performance and consistency with policies and priorities; (8) percent of annual reports and MPPs using performance data consistent with FSA and SEED goals and standards (fully consistent, mostly consistent, consistent and needs work); and (9) percent of country programs with expanded pipeline greater than 24 months as of September 30 (and 30 months as of March 31) not justified by events or implementation requirements.

Assistance for the Independent States of the Former Soviet Union
(\$ in thousands)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Europe and Eurasia			
Armenia	74,558	70,000	55,000
Azerbaijan	38,782	37,355	35,000
Belarus	8,055	6,500	7,000
Georgia	71,701	86,000	67,000
Kazakhstan	33,342	26,690	26,000
Kyrgyz Republic	36,238	31,000	30,000
Moldova	22,543	17,350	17,000
Russia	96,350	85,000	48,000
Tajikistan	24,451	27,000	25,000
Turkmenistan	5,700	6,505	5,500
Ukraine	94,283	79,000	88,000
Uzbekistan	35,888	33,500	30,000
Regional FSA	42,646	49,620	48,500
Subtotal - Europe and Eurasia	584,537	555,520	482,000
Total	584,537	555,520	482,000

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INDEPENDENT AGENCIES

Peace Corps
Inter-American Foundation
African Development Foundation
Millennium Challenge Corporation

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Peace Corps

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
Peace Corps	308,171	317,440	345,000

The Peace Corps provides practical assistance to developing countries by sharing America's most precious resource-- its people. The close interaction between Peace Corps Volunteers and local communities has allowed the Peace Corps to establish an admirable record of service that is recognized around the world. For 44 years, Peace Corps Volunteers have helped build the path to progress with people who want to build a better life for themselves, their children, and their communities. Throughout the world, Peace Corps Volunteers continue to bring a spirit of hope and optimism to the struggle for progress and human dignity. More than 178,000 Americans have served in 138 countries.

While times have changed since the Peace Corps' founding in 1961, the agency's mission -- to promote world peace and friendship -- has not. The three core goals of the Peace Corps are as relevant today as they were forty-four years ago:

- To help the people of interested countries in meeting their need for trained men and women.
- To help promote a better understanding of Americans on the part of the peoples served.
- To help promote a better understanding of other peoples on the part of Americans.

Through the work and contributions of its Volunteers, the Peace Corps has emerged as a model of success for encouraging sustainable development at the grass-roots level. Volunteers work with teachers and parents to improve the quality of, and access to, education for children. They work with communities to protect the local environment and to create economic opportunities. Volunteers work on basic projects to prevent the spread of HIV/AIDS, help provide food security and access to potable water. They train students to use computers and help communities establish resource centers with Internet access.

The Peace Corps, however, is much more than a development agency. Its larger purpose is to empower people in developing countries to take charge of their own futures and strengthen the bonds of friendship and understanding between Americans and the people of other cultures. The on-the-ground, people-to-people relationships that Peace Corps Volunteers forge with their host country colleagues and communities serve as a crucial foundation for world peace, cross-cultural exchange, and understanding.

Volunteer safety remains the top priority of the Peace Corps. Because health and safety risks are inevitably an inherent part of Volunteer service, the Peace Corps staff and Volunteers work together to create a framework that safeguards their well-being to the greatest extent possible, enabling them to carry out the Peace Corps' mission. The Peace Corps takes responsibility for ensuring that safety and security issues are fully integrated in all aspects of Volunteer recruitment, training, and service and that the Peace Corps' safety and security policies and training curricula are adjusted as situations change. Volunteers do their important part by taking personal responsibility for their behavior at all times and assimilating successfully into their host communities. Volunteers can also reduce risks by following recommendations for locally appropriate behavior, exercising sound judgment, and abiding by the Peace Corps' policies and procedures.

Through their service, Volunteers make lasting contributions to our country and society in the following ways:

Representing American Values and Diversity - The women and men who serve as Peace Corps Volunteers reflect the rich diversity of our country and represent some of the finest characteristics of the American

people: a strong work ethic, a generosity of spirit, a commitment to service, and an approach to problems that is both optimistic and pragmatic. They are afforded no special privileges and often live in remote, isolated communities. They speak local languages and adapt to the cultures and customs of the people they serve. In this process, Volunteers share and represent the culture and values of the American people, and in doing so earn respect and admiration for our country among people who often have never met an American.

Responding to Humanitarian Crises and Natural Disasters – Through the President’s Emergency Plan for AIDS Relief, Peace Corps Volunteers are meeting the challenges of this global pandemic working both formally and informally, in 10 of the 15 focus countries. They are enhancing programming and in-country HIV/AIDS training, supplying Crisis Corps Volunteers (former Volunteers that return to the field on a short-term basis), and making small grants available for community initiated projects. Additionally, Crisis Corps Volunteers are assisting with disaster recovery in the Caribbean, following Hurricane Ivan, and helping these island nations address critical needs in restoration, mitigation, and prevention. More and more, Peace Corps Volunteers are finding ways to meet humanitarian challenges and, thereby, spreading American compassion abroad.

Preparing America’s Work Force with Overseas Experience - Peace Corps training and service provide skills that are increasingly important to America’s participation in the international economy. Volunteers worldwide learn more than 180 languages and dialects, and they receive extensive cross-cultural training that enables them to function effectively at a professional level in different cultural settings. Returned Volunteers often use these skills and experiences to enhance careers and make contributions to our society in virtually every sector -- Congress, the Executive branch, the Foreign Service, education, business, finance, industry, trade, health care, and social services.

Peace Corps Volunteers Educating Young Americans - Through the Coverdell World Wise Schools Program, thousands of current and returned Peace Corps Volunteers share their experiences in developing countries with students in America’s classrooms. This successful program allows young Americans to learn about the peoples and cultures of other countries and to interact with positive role models who have engaged in public service as Peace Corps Volunteers. These exchanges have allowed American students -- especially those who have not had the opportunity to travel or to experience another culture -- to gain a global perspective and to realize that they can make a difference in their communities and in the world.

Contributing to America’s Legacy of Service - Encouraging service and volunteerism among the American people is part of a long tradition in the United States and of this Administration. Over one hundred fifty thousand people contact the Peace Corps each year seeking information about serving as a Volunteer. When Volunteers complete their overseas service, many continue their commitment to volunteerism by offering their time and skills to community volunteer programs across the country.

Inter-American Foundation

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
IAF	16,238	17,856	17,826

The Inter-American Foundation (IAF) undertakes development initiatives in Latin America and the Caribbean that have a direct impact on the lives of people at the lowest economic levels and that support the President's priorities in the region. The IAF supports programs that promote entrepreneurship, self-reliance, and democratic self-governance as a way to foster economic progress for the poor. By working with people at the community level, the IAF helps such communities develop democratic practices, including strengthening citizen participation and oversight of local governments.

In FY 2006, the IAF will continue to focus its resources on building partnerships among grassroots organizations, NGOs, local governments and private enterprises to foster development and democracy at the local level. This strategy also promotes social investment in Latin America and the Caribbean by the U.S. and local private business sectors to improve the quality of life of the poor in the region.

The IAF will continue to perform a leading role in efforts to channel some of the vast amounts of remittances that immigrants send home each year into development activities and will seek the partnership of other major donors in a coordinated venture, an area in which it was a pioneer. In particular, the IAF will work with migrant organizations in the U.S. and Canada to target their remittances toward development projects in their countries of origin.

In FY 2006, the IAF will continue to expand its innovative program involving a partnership with an expanding network of 52 Latin American corporations and corporate foundations. Participating corporate partners share criteria for funding and a results measurement system based on IAF's experience with grassroots development, and match or exceed IAF contributions to support local development initiatives.

The IAF will continue to support the economic development initiatives of indigenous peoples, as well as African-descendant communities, which comprise half the population living below the poverty line in Latin America and the Caribbean.. As an active member of the Inter-Agency Consultation on Race in Latin America, the IAF, in conjunction with the government of the United Kingdom, the Inter-American Development Bank, and the World Bank, will promote the inclusion of indigenous and African descendants in poverty reduction strategies by countries and donor agencies.

The IAF will support the expansion of community foundation activities in Mexico, particularly on the U.S.-Mexico border, through both monetary and non-monetary transfers (such as technical assistance) to promote endowment challenge grants and other forms of cross border philanthropy. The IAF will foster the networking of these foundations to promote shared commitments to grassroots development and shared practices and evaluation criteria.

The IAF will continue to refine its system of measuring the results of its grants and identify and disseminate good practices and lessons to new private sector contributors and development practitioners. The IAF will continue to integrate the non-tangible impact of its funding with an expanded evaluation methodology for randomly selected projects. Using results and evaluation information, the IAF will incorporate lessons learned into the IAF's strategic planning and grant decision-making processes.

African Development Foundation

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
ADF	18,579	18,848	18,850

The African Development Foundation (ADF) plays a unique role within the U.S. Government's foreign assistance programs. ADF is the only USG agency that awards development assistance directly to African small enterprises and non-governmental organizations (NGOs). ADF is currently the sole provider of U.S. Government foreign assistance in five of the 15 African countries where it operates.

ADF's efforts complement other forms of United States assistance to Africa by providing small enterprises in Africa's poorest communities with the resources they need to generate new jobs and deliver significant increases in income to employees and to low-income families. The Foundation's programs support U.S. national interests in Africa by promoting economic growth, advancing opportunities for new international trade and investment, and strengthening the relationship between the United States and the people of Africa.

ADF's FY 2006 request focuses on:

- Promoting small enterprise development in Africa's poorest communities, and
- Helping small businesses and farming groups increase their exports to regional and global markets.

The Foundation has extensive experience in helping African small businesses improve their productivity and profitability. ADF's FY 2006 funding will allow the Foundation to provide African small businesses with essential capital, technology, and technical assistance to improve their productivity and to enhance their access to regional and international market opportunities.

Millennium Challenge Corporation

(\$ in thousands)

Account	FY 2004 Actual	FY 2005 Estimate	FY 2006 Request
MCA	994,100	1,488,000	3,000,000

The FY 2006 request of \$3 billion will advance the progress made by the MCC since it began its work in early 2004. The mission of MCC is to provide assistance in reducing poverty through economic growth in poor countries. Countries eligible to apply for the assistance are selected using objective indicators that gauge the governments' performance in ruling justly, investing in their citizens and encouraging economic freedom. Funding for the MCC complements other U.S. foreign assistance programs operating in low-income countries.

Being selected as eligible for MCA assistance is a reward for good governance and sound policies. The assistance also acts as an incentive for countries to continue their reforms and to strengthen those efforts. Working with USAID, the MCC also has created a Threshold Program for countries that did not qualify for MCA assistance but were close and are committed to reform in the areas that MCC evaluates. Central to MCC's approach is the element of country ownership of the program at almost all stages--from the country's program design through implementation. Eligible countries will be responsible for a high level of leadership and commitment in identifying development obstacles and priorities, ensuring civil society participation in their program design and implementation, and developing the strategy for implementation of the MCC program.

Each successful MCC partner country will enter into a public Compact with the MCC that includes a multi-year (3-5 year) plan for achieving development objectives. Further, the Compact will identify the responsibilities of each partner in achieving those objectives. Compacts will include plans for monitoring and evaluating performance, fair and transparent procurement procedures, fiscal accountability, and donor coordination. This country-driven process allows countries to think strategically about how to tackle obstacles to growth over a number of years. Critical to that approach is an upfront commitment for full funding of proposals with disbursements based on progress throughout the program term. Accordingly, multi-year funds are requested; and the request is for funds to remain available until expended by MCC.

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